

Amazon Spends While Other Retailers Retreat

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By [Adrienne Pasquarelli](#). Published on June 27, 2017.



Amazon invades real-world grocery aisles with planned \$13.7 billion Whole Foods acquisition.

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Amazon has been eating retail competitors' lunch for a while. Now it's after their breakfast, dinner and weekly groceries too with its planned \$13.7 billion acquisition of Whole Foods. But the quest for dominance goes beyond food. The e-commerce giant, already the largest retail advertiser in the U.S., is cranking up its spending even more as it strives to harness all of consumerism and to lead in new categories such as grocery and fashion.

And that's saying something. Amazon's U.S. ad spending increase alone last year, \$602 million, nearly equaled [Sears Holdings'](#) entire U.S. ad budget.

The reason: Though doing very well, so far Amazon has captured "a lot of people interested in purchasing digitally the low-hanging fruit," said Neil Saunders, managing director at GlobalData Retail. "But the next chunk of growth inevitably comes from the group that sits behind that. Those are the people that Amazon has got to persuade."

That's making Amazon's ad spending a window into the broader sector. Amazon spent \$2.6 billion on U.S. advertising and promotions last year, up 30%, according to Ad Age's [200 Leading National Advertisers 2017](#) report. That comes as former marketing titans such as Macy's, [Kohl's](#) and Target have either pulled back or kept spending flat as department store sales fall.

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The industry's worldwide advertising numbers are even more telling. While Amazon has steadily increased its global ad budget to 3.7% of total sales in the last nine years, the majority of its brick-and-mortar competitors now devote a smaller percentage of their declining annual sales to advertising.

"What you're seeing in advertising is really mirroring what's happening in the retail industry overall," said branding consultant Denise Lee Yohn.

[Walmart](#) at least is still in hot pursuit. The 11,700-unit chain, which has been on an e-commerce tear recently with the purchases of [Bonobos](#), Modcloth and Jet.com, devoted \$2.2 billion to U.S. advertising last year, according to Ad Age's LNA report. Earlier this year, the Bentonville, Ark.-based behemoth consolidated the marketing staff for its stores with its dot-com business. Jet.com still operates as a separate retailer, but the overall team works as a single unit, said Tony Rogers, chief marketing officer of Walmart U.S., at a press conference this month.

"Now everyone in the marketing department is on one team, driving one brand with one voice," he said. "You don't want your dot-com team off advertising one concept and your stores off advertising some other priority." Every Walmart TV ad now, for example, ends with a hand clicking on the Walmart spark trademark, Rogers noted. The company is also shifting the focus of its dot-com advertising toward consumable goods from infrequent big-ticket purchases.

Amazon, meanwhile, continues to try to be everywhere at once. In addition to a Super Bowl buy and marketing around its annual Prime Day in July, the \$136 billion brand recently erected a 79-foot aluminum [Echo](#) replica in New York's Times Square to promote Amazon Music. It's also going after lower-income customers -- Walmart's sweet spot -- with a new discounted Prime membership offering.

And, perhaps most strikingly, Amazon is poised to become the largest U.S. apparel seller this year. Last week, it announced Prime Wardrobe, a way for Prime subscribers to try on up to 15 items at home before they pay for any of them. But Amazon, which declined to comment, still needs to ramp up its fashion cred. More apparel-focused marketing is one way to do that, or Amazon could acquire another player as struggling retailers look for lifelines. Bahige El-Rayes, a principal in the retail practice of management consultancy A.T. Kearney, expects the Whole Foods purchase to pave the way for Amazon's ascendancy in other sectors like apparel and pharmaceuticals.

"Amazon has a lot more new offerings now, with all of their Prime member benefits, content and new services -- they have a lot more things they need to generate awareness about and advertising is a way for them to do that," said Yohn.

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